

Case studies



Brent Council and i4B Holdings Ltd

**Using a wholly owned council company
to reduce temporary accommodation costs**

A case study from the 2019 Public service:
state of transformation report



The headlines

- i4B Holdings Ltd is a wholly owned Brent Council company set up to own, manage and let affordable private rented sector properties to households to whom the council has a homelessness duty.
- This reduces temporary accommodation costs and gives those in such accommodation permanent, affordable, high-quality housing with a secure landlord.
- As of January 2019, i4B had purchased 201 properties.
- i4B has housed 168 Brent families, including 411 children. Families were previously in unsuitable temporary accommodation.
- When completed, the programme will save the council around £600,000 per annum in temporary accommodation costs.

The Brent context

Between 2010 and 2015 homelessness doubled in Brent. The unaffordability of private rented sector (PRS) accommodation in Brent for families on low incomes was the main driver behind 60 per cent of homelessness acceptances.

Brent Council is heavily reliant on PRS accommodation to house homeless households as a result of the lack of available social housing. The increased costs of PRS accommodation meant it was increasingly difficult for staff in housing needs to house families in temporary accommodation.

By October 2017 Brent Council had 2,542 households living in temporary

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accommodation, the fourth highest of all housing authorities in England.

This increased demand for temporary housing came at a time when significant reductions in government funding meant the housing needs budget was reduced by £2.3 million between 2015/16 and 2017/18.

The combination of increased demand, increased difficulty in securing accommodation for homeless households, and decreased funding meant the pressure on the housing needs budget was ever greater.

Addressing the problem

In order to resolve the problem, in November 2016 cabinet agreed to establish i4B Holdings Limited (i4B), a wholly council owned company. i4B was set up to own and manage a large portfolio of PRS properties, enabling the council to discharge its homelessness duty to households in temporary accommodation with an offer of affordable PRS accommodation and thus reduce costs. i4B's initial 2017/18 business plan set out the ambition of purchasing 300 PRS properties.

i4B's portfolio has been established through the purchase and refurbishment of existing street properties across Brent, Greater London, and the Home Counties. Properties are bought in consultation

i4B Growth Profile 2016-2024



When housing people, as much as possible is done to ensure that families have the best chance to resettle into their new accommodation, find or keep employment, and gain access to good educational opportunities for their children.

with staff in housing needs. Properties are then refurbished, let to council nominees, and subsequently managed.

As of January 2019, i4B owned 201 street properties. The 2019/20 business plan outlines proposals to increase the portfolio to 778 properties through the purchase of new-build accommodation.

i4B's business model aims to break even over the course of 30 years whilst providing the council with financial benefits. i4B is financed via a state-aid compliant loan from Brent

Council which borrows funds and then on-lends them to i4B. Income generated through rents is used by i4B to repay the loan and fund running costs.

Our key partners

A number of partners are involved in i4B's operation.

i4B has a board of directors that meets on a monthly basis. The board consists of an independent voting director, an additional independent director, a councillor, and two council directors.

i4B has a service level agreement (SLA) with the council to provide a range of services to support i4B's operations, including:

- corporate and financial services;
- property purchasing and refurbishment; and
- housing management

The SLA enables i4B to operate with minimal staff and operating costs. i4B has encouraged new, cross-departmental partnership working, and enabled employees to work in a more commercially minded way to achieve improved outcomes for Brent residents whilst generating income and achieving revenue savings for the council.

Three hundred new affordable homes will be created by April 2020.

In November 2018, the acquisition of homes moved to the Microsoft Dynamics CRM system. A central system with a core archive of documents has further enabled partnership working between the many service areas involved in the purchasing, refurbishment, and letting of properties.

Properties in the Home Counties are managed by external agents Mears and Pinnacle. i4B works closely with both to ensure issues are resolved efficiently.

i4B is also currently exploring new-build partnership opportunities with Brent Council, housing associations, and private sector developers.

What's been the impact of our work?

As of January 2019, i4B had housed 168 Brent families, including 411 children. Families were previously in unsuitable temporary accommodation – for instance, 130 families were directed to i4B properties from bed and breakfast accommodation. When housing people, as much as possible is done to ensure that families have the best chance to resettle into their new accommodation, find or keep employment, and gain access to good educational opportunities for their children.

i4B has also increased the amount of affordable housing tenures in Brent and the Home Counties. i4B has successfully purchased private-sector homes and switched their tenure to an affordable private rented sector option. Three hundred new affordable homes will be created

by April 2020. All of i4B's homes have a good standard of construction and management. Properties are refurbished to a high standard and i4B guarantees households moving into its properties that they will be well maintained, safe, and secure. Moreover, i4B has brought back into use previously empty council-owned homes.

i4B has successfully brought about revenue savings by enabling the council to move households in temporary accommodation into private rented sector property.

Based on the first 300 properties being let, it is estimated that the council will save around £600,000 per annum in temporary accommodation costs. This number will grow further as i4B's portfolio increases. Moreover, the ongoing annual income from the council on-lending to i4B is around £250,000 per annum.

The council has also received one-off benefits from the programme. These benefits stem from two sources: the loan to i4B and financial benefits relating to ownership of property and property price increases.

The one-off financial benefits from the loan for the first 300 properties are:

- loan arrangement fee of 1 per cent (£830,000); and
- loan non-utilisation charge (£620,000)¹

Although the council is investing capital to reduce revenue expenditure, it can also consider the capital outlay as a medium- and long-term investment. The housing market has historically provided good levels of investment growth.

The council can benefit from property price growth in the portfolio.

Through the SLA contract with i4B, the council has been able to increase staffing budgets. For example, the council's property and legal teams have been strengthened with additional capacity and skills.

In addition to the financial benefits described above, i4B has contributed to the council's vision of 'making Brent a borough of culture, empathy and shared prosperity'.

The key elements of our success

- i4B's annual business plans have given the company and board clarity on the expectations of the shareholder, as well as clear targets on acquisitions and performance.
- i4B places great emphasis on partnership working. Monthly SLA meetings are held which ensure service areas are aware of key performance indicators and any issues. The new Microsoft Dynamics system has also streamlined performance from purchase to letting.
- i4B's independent chair means that the line between council and company interests is clear.

And if we were starting again...

Initially, performance was adversely affected by difficulties in getting council services to work more commercially. In hindsight, more could have been done to prepare services to work in a more commercially minded way.

However, these difficulties were overcome through increased management of the end-to-end purchasing process, supporting work across services, and a series of deep-dive reviews focusing on the conveyancing, payments, and refurbishment processes.

Microsoft Dynamics has also improved commercial performance. This new way of working has produced learning which will be fed in to other commercial opportunities.

Our key contacts

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Sadie East

Sadie East heads up the transformation team at Brent Council. The team was established in 2017 to deliver and support change, improvement and transformation across the council. The team's work includes a programme of Outcome Based Reviews (OBRs), implementation of the council's digital strategy and support to run and develop the council's commercial companies. Before joining Brent, Sadie worked in roles encompassing change management, communications, policy and strategy in central government departments and public bodies including the BBC, Home Office and Independent Police Complaints Commission.

¹ This is a fee charged on the undrawn balance of the committed loan